BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting (Proposal Two)	: : : : : :	Docket No. RM2018-5

MOTION OF UNITED PARCEL SERVICE, INC. FOR
ISSUANCE OF INFORMATION REQUEST TO
THE UNITED STATES POSTAL SERVICE

(June 15, 2018)

United Parcel Service, Inc. ("UPS") respectfully requests that the Presiding

Officer issue an Information Request to the Postal Service to obtain answers to the

appended questions.

In Docket No. RM2018-5, the Postal Service submitted Proposal Two, relating to

new sampling and weighting procedures for the city carrier portion of the In-Office Cost

System (IOCS). In Order No. 4630, the Commission established Docket No. RM2018-5

to consider the issues raised by the Postal Service's Proposal Two.[1]

Given existing limitations in the availability of information related to IOCS,

however, UPS believes that it needs additional data and information in order to provide

well-informed comments on Proposal Two.

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[1] *See* Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting
(Proposal Two) ("Order No. 4630"), Dkt. No. RM2018-5 (Jun. 1, 2018), at 2.

Question 1 pertains to potential changes in the methodology by which Sunday delivery costs are attributed. Given the proposed changes to IOCS, UPS seeks to better understand whether there is some offsetting of costs in the postal costs model.

Question 2 pertains to the Postal Service's proposal to treat Sunday and holiday costs incurred by city carriers as 100% attributable. Given that Sunday/Holiday costs are established as fully attributable SPR costs in Proposal Two, but appear to be excluded from the SPR Distribution Key on "Outputs to CRA" (where all SPR delivery costs are aggregated), UPS seeks to better understand the workings of the SPR Distribution Key, given that exclusion of costs from this key would affect the allocation of depreciation costs across products.

Question 3 pertains to an IOCS data file, which appears to be missing several important columns to break down costs by certain SPR/LTR route types (*e.g.*, Exclusive Parcel Post, Collection, Other). These columns have been routinely included in IOCS data files of previous ACR filings and would be helpful to understand the proposal's impacts at a more granular level.

Question 4 pertains to several Excel files provided by the Postal Service in its RM2018-5 filing, in which Sunday/Holiday costs are separately itemized. Specifically, UPS seeks insight into how exactly the Postal Service handled Sundays and Holidays with their previous methodology, as these costs are difficult to parse out.

Question 5 seeks clarity on IOCS methodology, particularly pertaining to Sunday routes. The question is prompted by several IOCS readings occurring on Sundays that appear to be assigned to letter routes.

Question 6 requests a version, using the current methodology (with Proposal Five), of the SAS IOCS-Cluster data file that includes the fourth quarter of FY2017 and the first quarter of FY2018. This will facilitate comparison between the prevailing methodology and that proposed under Proposal Two.

As the Commission has observed, the Postal Accountability and Enhancement Act "relies on public transparency . . . to achieve its goal of Postal Service accountability."[2] Answers to these questions would support the important goal of facilitating potential improvements in the Postal Service's measurement of costs.

Respectfully submitted,

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[2] Second Notice of Proposed Rulemaking to Establish Procedure for According Appropriate Confidentiality ("Order No. 194"), Dkt. No. RM2008-1 (Mar. 20, 2009), at 2.

PROPOSED QUESTIONS:

1.   Among other aspects of city carrier delivery, Proposal Two would result in a change to the methodology by which Sunday delivery costs are attributed. The Postal Service has previously described certain adjustments made for NSA delivery costs on Sunday/Holidays.[3] Will the method, or the impact, of the NSA Sunday delivery adjustment performed in the CRA change as a result of Proposal Two? Have those changes been accounted for in Prop.2.IOCS.Cluster.Impact_Public.xlsx? If not, please provide a detailed description of this change as well as any supplemental materials needed to understand the changes.

2.   In the Petition and supplemental materials for Proposal Two, the Postal Service proposes to treat Sunday/Holiday costs incurred by city carriers[4] as "100 percent attributable."[5]

     a.   Please confirm that under the methodology prior to the adoption of Proposal Five, the SPR distribution key was in part based on delivery costs incurred on Sunday/holiday SPR routes.

     b.   Please confirm that under the current methodology (after the adoption of Proposal Five), the SPR distribution key is in part based on delivery costs incurred on Sunday/holiday SPR routes.

     c.   Please confirm that under Proposal Two delivery costs incurred on Sunday/Holiday routes are not included in the SPR distribution key.[6]

     d.   Please confirm that the SPR Distribution Key is currently used to allocate city delivery vehicle depreciation costs.

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[3] *See, e.g.*, Reply Comments of the United States Postal Service, Dkt. No. ACR2014 (Feb. 17, 2018), at 18-19.

[4] These appear to be broken out from the pool of Special Purpose Route costs. *See* CS06&7-XXX-IOCSCLUSTERv2.xlsx, tab "Input IOCS", "Total SPR" column, Line 11.

[5] *See* Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), Dkt. No. RM2018-5 (May 25, 2018), at 9.

[6] *See* CS06&7-XXX-IOCSCLUSTERv2.xlsx, tab "Outputs to CRA," Column Number (9).

e.   Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the SPR Distribution key.

f.   Please list any other cost segments or components whose costs are currently allocated either in part or in whole using the LTR Distribution key.

g.   Please describe any adjustments in the broader CRA model that will be made to ensure that Sunday delivery costs continue to form part of the basis by which city delivery vehicle depreciation costs and any other costs included in your response to part (e) are allocated.

3.   The version of the IOCS-Cluster data file provided in USPS-RM2018-5/1 is missing several columns of data when compared to the versions submitted in the ACR library references (see, for example, the corresponding files produced in USPS-FY17-37).

a.   Please provide a version of the IOCS-Cluster data file that includes all available IOCS columns, including the route code used to produce tab "I-CS07.1 Input" in the I_FORMS Workbooks in USPS-RM2018-5/1.

b.   Please specify which route code field is used to produce tab "I-CS07.1 Input" in the I_FORMS Workbooks in USPS-RM2018-5/1.

4.   In the CS06&7-FY17Q4-IOCSClusterV2.xlsx and CS06&7-FY18Q1-IOCSClusterV2.xlsx files provided in USPS-RM2018-5/1, Sunday/Holiday costs are separately itemized throughout these files. For the sake of understanding the changes to Sunday/Holiday total costs and cost attribution embedded in Proposal Two, please provide versions of CS06&7-FY17Q4-CurrentwithProp5.xlsx and CS06&7-FY18Q1-CurrentwithProp5.xlsx that separate Sunday/Holiday costs in a similar manner. In particular, please provide a version of tabs "Input IOCS" and "Outputs to CRA" in each of the "…CurrentwithProp5.xlsx" workbooks that separates Sunday/Holiday and non-Sunday/Holiday costs for all relevant activity codes and route types.

5.   In the IOCS methodology used in ACR2017, are all Sunday and Holiday IOCS readings assigned to SPRs, or is it possible for a Sunday/Holiday IOCS reading to be

assigned to LTR? If it is possible, please explain all scenarios under which Sundays and Holidays could be classified as LTR or unassigned route types (*i.e.*, route type 99) rather than an SPR.

6.   As part of RM2018-5/1, the Postal Service provides a SAS IOCS-Cluster data file for Quarter 4 Fiscal Year 2017 and Quarter 1 Fiscal Year 2018. In order to compare the effects of Proposal Two, please provide a similar SAS data file using current IOCS methodology with Proposal Five in the two relevant quarters. Please include any additional columns included in the answer to ChIR 4.